IBNR WEEKLY

DOWLING & PARTNERS

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ITEMS OF INTEREST THIS WEEK: **FINAL EDIT:** June 3, 2002

TIME TO HAVE A VIEW ON CASUALTY REINSURANCE…PRICING MOMENTUM ISN'T "OVER" YET

Troubles/Motives of Top 25 International Reinsurers Provide Some Comfort To Investment Thesis

With "asbestos" once again having reared its ugly head (only $25BB of payments so far) in recent weeks, and investors increasingly concerned over a truncated property/casualty (re)insurance market, we thought it time to revisit our investment "thesis."

Rank	$,MM Reinsurer	S&P Rating	NPW 2000	Equity 2000	Comment
1	Munich Re Group	AAA	$15,277	$19,437	New leader, more direct German control of U.S. operations.
2	Swiss Re Group	AAA	$14,479	$14,139	Maintaining/growing market share less a priority?
3	Berkshire Hathaway Grp	AAA	$8,575	$40,140	No more "Relationship" pricing / Pressure from Buffett
4	Employers Re Group	AA+	$7,924	$6,025	Ratings downgrade/Ownership **future uncertain**
5	Hannover Re Group	AA	$4,994	$1,482	Levered balance sheet/Clarendon issues? Was AA+
6	Gerling Global Re	A+	$4,117	$1,388	**Future uncertain. Downgraded from AA-**
7	Lloyd's of London	A	$3,953	$8,268	Losing to Bermuda / **Future uncertain.** Recently affirmed
8	Allianz Re	AA+	$3,727	$53,414	
9	SCOR	A+	$2,810	$1,267	Long term **future uncertain** as Stand Alone Entity
10	Converium Group	A+	$2,485	$1,542	Recent spin-off From Zurich
11	Transatlantic Holding	AA	$1,659	$1,856	60% owned by AIG
12	AXA Reinsurance Group	AA	$1,425	$1,628	Reorganizing. **Future uncertain.**
13	PartnerRe Ltd.	AA	$1,380	$2,086	Diversification / U.S. push
14	St. Paul Re	AA- (negative)	$1,252	$7,178	**Future uncertain.** Fresh Start In Bermuda
15	Everest Re Group	AA-	$1,219	$1,583	Increased emphasis on primary business
16	XL Re Ltd.	AA	$1,022	$5,574	Better integrating Mid-Ocean & NAC Re
17	Korean Re	BBB-	$978	$323	Concentrating on World Cup this month
18	CNA Re	A-	$951	$8,387	Exited Int'l ops/certain lines of business. **Future uncertain**
19	Toa Reinsurance Co.	AA-	$942	$2,204	
20	Hartford Re Group	AA	$826	$5,668	Exited Int'l ops/certain lines of business. **Future uncertain**
21	Tokio Marine & Fire	AA-	$705	$20,432	Balance sheet not what it was/expansion dream on hold
22	OdysseyRe	A-	$701	$958	Fairfax Financial (majority owner)
23	ACE Tempest Re	A+	$699	$1,282	New mgmt / expansion outside of property cat
24	CCR (France)	AAA	$695	$1,131	
25	Scandinavian Re	BB	$599	$850	**In run-off**
	Total		**$83,392**	**$208,244**	

Our post-9/11 "overweight" position remains battered but intact as we look for at least one more leg up in the stocks (despite valuations that are closer to historic highs than lows in terms of stated price to book value). With the doubling of the stocks off the bottom in the Spring of 2000, we readily admit the "easy money" has been made in property/casualty (re)insurance stocks. Nevertheless, while there is not yet any solid market evidence to support our view, we suspect "the cycle" will be longer than most investors assume. We suspect investors may be, to some extent, fighting the last investment war as many attempt to sell the stocks before pricing "rolls over"(second derivative). Just as there were at least seven "false starts" in calling a positive cycle turn between 1987 & 2000, there may be a false start or two before the next real downturn (the business remains cyclical). Going forward, investors must constantly climb the infamous "wall of worry" even as macro trends are likely to surprise on the upside. When it is time to "exit" the group, we'll try to stick to our discipline & look to price to book (adjusted) as the only reasonable long-term gauge of valuation in a world where earnings reports are never an accurate reflection of the underlying business ("restoration phase").

Post-September 11th, all lines of property/casualty (re)insurance have seen improving pricing and more importantly a hardening of terms & conditions. Going forward, **this monolithic pricing trend will end**. Property rates, both primary and reinsurance, for example, are generally adequate or nearly so. While there remain supply imbalances in larger primary property programs, there are no such issues for property reinsurance & clearly excess capacity exists in property catastrophe reinsurance (see CEA 7% rate increase on page 11). **While property catastrophe reinsurance is a relatively small segment of the (re)insurance industry, it receives disproportionate attention from investors primarily because it is easy to understand and the players are more talkative about their business and accessible**. Rate increases going forward beyond 2002 will be modest at best—and may moderate somewhat in some geographical areas absent a major loss "event." The actions of the "new" Bermuda players, see page 4, who collectively failed in their efforts to meet "plan" and write hundreds of millions of dollars of property catastrophe reinsurance premium in 2002, will be a forced to watch. It assumes the business plans have been adjusted to account for the small amount of available property catastrophe reinsurance premium available to the startups. That said, **assuming property catastrophe reinsurance is a proxy for "reinsurance" in general, and the far larger "casualty" reinsurance market, is simply wrong**. Investors that hear commentary about "cat rates" and correlate that to other lines will be making a mistake. While there is now sufficient/excess capacity to write property catastrophe reinsurance worldwide (at the "right" i.e. "model driven" price to meet ROE targets), and that position will continue, we do not believe that similar conditions will be evident in general casualty reinsurance.

The table on page one, the largest 25 reinsurers in the world based upon 2000 data according to S&P, is reproduced with our brief individual company commentary to suggest two main points that provide us some comfort as to future trends:

(1) **$46.2BB of premium, or 55%, of the reinsurance premium written by the top 25 worldwide is written by the top four**. Until last week these four maintained AAA ratings (see story page 10). Within the past three years all four have new leaders running their U.S. operations and several have new leaders for the entire organization. The new managers and/or new owners (now or in the near future) are not going to quickly cut prices again. At least for now market share is out and profitability is in. While we cringe when we say it, we think it will be different this time. In addition, a change in European accounting (more transparency) and ownership accountability issues suggests the Swiss & Germans will likely act differently this time. Worldwide casualty reinsurance pricing simply can not return to the levels of 1999-2000 without the big four participating.

(2) **More than 20% of premium of the top 25 worldwide is in "weak hands" and the future of the reinsurance operations is uncertain** (as to ownership and/or long-term viability). If we look beyond the "big three" with AAA ratings (Munich, Swiss, Berkshire) the future of more than 50% of the remaining premium is uncertain (we include ERC whose ultimate owner is uncertain). Brokers know there is uncertainty, clients know there is uncertainty, rating agencies know there is uncertainty, and everyone agrees the "end game" is clear—there will be fewer, stronger international reinsurers in the future. Concentration will continue. What is very much a question is how the concentration will occur. In the short-term, premium, especially the "best" premium, will continue to migrate to the stronger/long-term players ("flight to quality") and adverse selection will continue among some smaller players. These trends are even more pronounced in the players number 26-50.

While it's easy to conclude reinsurer consolidation will continue, how it will happen is less clear. Were we to examine the "dreams" of the typical reinsurer CEO over the past five years, it might be a progression something like this**.**

- **Dream One: Strategic buyer**. Major player will pay a premium on a "marginal cost financing" basis for my reinsurer. I'll be paid a significant premium to book value and a hefty multiple of earnings. Examples: National Re (General Re), American Re (Munich Re) and Underwriters Re (Swiss Re). <u>Update</u>: The Strategic Buyer Option Is Now Over.

- **Dream Two: Public Market:** Not able to find a strategic market I look to the public market. I've got "Converium envy" after the masterful Zurich Re deal. Why didn't I think of that first? Odyssey Re (Fairfax) was a "success" and St. Paul's planned Bermuda-based Platinum Re is a variant on this theme. Why not me next? Result: While the valuation I'll receive is much reduced, it's still a premium to book value and I get to keep my job and run a public reinsurer. My ultimate payday will simply take a little longer after the market realizes the value of our "franchise" I've built. Reality: With a billion dollar capital threshold to "play" (and an A- rating) combined with the need for "clean" balance sheets (no investment or reserve issues) very few reinsurers will get through the public "window."
- **Dream Three: Merger of Equals:** Public Markets failed to appreciate my "franchise" and said no to my planned IPO (or I'm already "public" and too small to compete). Given the new realities, it's now time to join with another reinsurer (I should get to run the combined entity) to gain the scale necessary to compete and be appreciated by Wall Street, rating agencies, brokers, and clients. Discussions of Scor & Hannover Re would fall into this camp.
- **Dream Four: Nightmare: Liquidation**: As CEO I've come to realize we can't compete and we are not adding value. It's time to do what is right for shareholders and in the process trigger the "package" for me (of course, the opinion of that hard ass CFO of my "parent" company made the decision easy). I've realized the "run-off" value of the reinsurance enterprise is greater than the ongoing value. Capital can be better deployed elsewhere. Outlook: Very difficult decision but will increasingly happen.

Individual reinsurers are currently in different conditions and/or stages of the **Reinsurer Dream Cycle** described above. Examples of dream number two (public market) are evident today but number three (merger of equal) is not far behind. We suspect it will be 2003-2004 before the "nightmare" dream becomes a reality. All this leads us to believe **there is significant pain yet to work its way through the (re)insurance sector. Significant dislocation will still occur. In our view, casualty rates will be harder at July 1st than they were at January 1st and will be harder again in January 2003. Pricing, including terms & conditions, have not peaked for casualty reinsurance, and by implication the primary casualty lines as well**. It's nothing like the mid-1980's by any means but for investors that may be good. Slow and steady often beats the ratchet up and ratchet down.

Getting back to the (re)insurance stocks, **we look for 2003 estimates to rise after the 2nd quarter earnings are released.** The "quality" stocks, those without massive balance sheet issues, should perform well. Once investors begin to recognize 2004 operating earnings will be higher (and probably 2005), investors should take notice and be willing to pay a higher multiple for 2003 earnings. Given the rush of money into small and mid cap "value" (most of our universe), there are fewer smaller stocks that are "cheap" relative to their larger cousins. **In this world, we envision the larger more liquid names are likely to perform better from here.**

Our current BUY list, 14 names out of 38 in our active property/casualty universe (we "track" many more) is listed below. While we are in the process of developing the stock price performance graphs with our historic rating changes highlighted (apparently part of forthcoming brokerage firm disclosure policy on investment recommendations) the table below provides the essential information as to when, at what price, etc. As the table shows we historically stick with our recommendations for a significant period of time**. All "Buy's" are not equally attractive today. We'd be happy to discuss with clients our favorites at current valuations.**

D&P BUY LIST					**% Chg**		**S&P 500**
		Date Buy	**Current**	**Price Buy**	**Since**	**S&P**	**% Chg**
Company	**TK**	**Initiated**	**Price**	**Initiated**	**"BUY"**	**at Buy**	**Since Buy**
Allstate	ALL	5/31/96	$38.48	$20.50	87.7%	$669.12	59.5%
Aon Corp	AOC	8/02/00	$33.43	$37.00	-9.6%	$1,452.56	-26.5%
Chubb Corp.	CB	5/11/01	$75.16	$70.85	6.1%	$1,245.67	-14.3%
Everest Re	RE	8/3/98	$62.61	$38.44	62.9%	$1,112.44	-4.1%
Hartford Finc'l	HIG	8/31/99	$66.00	$46.69	41.4%	$1,324.02	-19.4%
IPC Re	IPCR	2/18/99	$31.12	$20.50	51.8%	$1,237.28	-13.8%
PartnerRe	PRE	2/27/97	$50.48	$32.75	54.1%	$801.77	33.1%
Renaissance Re	RNR	1/3/99	$37.00	$12.21	203.0%	$1,229.23	-13.2%
Transatlantic	TRH	7/13/98	$87.05	$54.33	60.2%	$1,164.33	-8.3%
Travelers	TAP/A	4/16/02	$17.55	$20.43	-14.1%	$1,102.55	-3.2%
W.R. Berkley	BER	1/29/99	$58.97	$26.00	126.8%	$1,279.29	-16.6%
Willis Group Hldgs	WSH	8/01/01	$32.53	$17.25	88.6%	$1,215.93	-12.2%
XL Capital Ltd.	XL	4/4/94	$88.52	$20.13	339.9%	$438.92	143.1%
Zenith Ins	ZNT	5/8/96	$31.72	$25.13	26.2%	$644.78	65.5%

All but two of our recommendations, Travelers & Zenith National, **have outperformed the S&P since our initial BUY recommendation and all but two BUY's are "up" on an absolute basis**. We've never been good at eating relative performance. Looking today our stock picks look relatively good, but that's helped greatly by a strong sector and a weak S&P for three years. Unfortunately, we missed several great moves (Progressive f/e) as our "value" bent kept us from "stepping up." We've been fortunate to have avoided the many P/C stock market disasters of recent years for the right reasons (even mistakes with MM & EWB were corrected very quickly and we were off very early). We avoided, and so did our clients, the disasters in California workers' compensation but in hindsight we were way too early on Stanley Zax's Zenith National which is up only 26% over six years (plus a nice dividend of $1.00/year or 4% on cost). Our other "too early" call must now be Travelers, which after an aggressively priced IPO at $18.50, ran directly into the asbestos head wind, and now trades below the IPO price. Mr. Lipp & his talented team have their work cut out for them in the period up until the "spin" this fall.

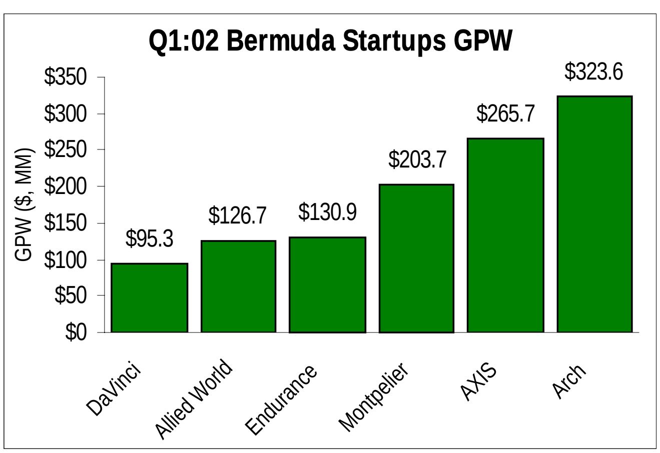
Company	TK	Date Buy Initiated	Current Price	Price "Buy" Initiated	Price when Downgraded	% Chg to Downgrade	S&P 500 % Chg to Downgrade
Ace Limited	ACE	9/25/01	$34.61	$25.00	$39.69	58.8%	7.3%
St. Paul	SPC	1/23/02	$42.61	$40.80	$46.13	13.1%	-1.9%

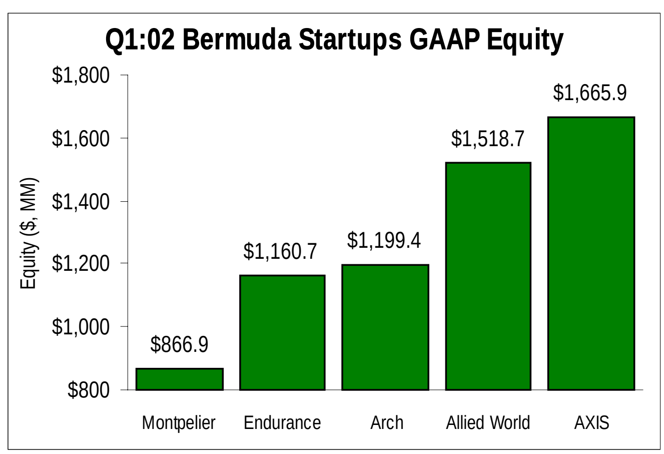
In addition, to our current Buy ratings in the past six months we have made two other changes. We upgraded, and then downgraded, both ACE (missing quarter & implications for balance sheet) and St. Paul (asbestos worries). In both cases, new information caused changes in what we expected to be longer term recommendations. Both did Ok. The relevant information is provided above. In short, recommending stocks is a humbling business and it's about to get more so given new SEC disclosures.

*****BERMUDA "CLASS OF 2001" Q1 REVIEW*****

First quarter results (included important 1/1 renewals) for the Bermuda class of 2001 are in. Meanwhile, the 1st (re)insurer, Montpelier Re, filed for an IPO this week (to pay down debt and move above $1BB of GAAP equity). The new (re)insurers have fresh capital (no balance sheet issues from loss reserves, recoverables, investments, etc.) but the class of 2001 faces obstacles, including (1) Scarcity of talent. Finding a "big name" or two is easier than putting together a "team" to quickly take advantage of existing opportunities; The quality of the personnel hired is by no means all top flight; (2) No "leverage" in balance sheet in terms of existing loss reserves to generate investment income and ROE; (3) Possible lack of "flow" of business -- sponsors help here; and (4) Low ratings. All but AWAC have A- Best ratings despite capital levels. All the players will not emerge as "winners."

The recent California Earthquake Authority ("CEA") 2003 renewal (= personal lines earthquake market in CA) provides an example of their participation in the marketplace. With rates up only 7% YOY (adjusted for exposures), the new Bermuda markets were given $56MM of limits (= $4.2MM of premium), replacing those dropped by the CEA (on credit concerns) and others dropped/decreased due to less attractive ROL's/T&C. Each of the new Bermuda players mentioned below picked up a share of the CEA with the exception being Endurance (though, will receive with LaSalle Re's acquisition). DaVinci Re (Renaissance Re) and Montpelier Re (White Mountains) faired well in the comparison, picking up $25MM and $18.3MM of limit respectively. See page 13 on the CEA.





Below we bring together some of the key variables (premium volume, # of employees, etc.) for each of the major players with information provided either in press releases or directly from management.

Bermuda Startups	**Allied World AWAC**	**Arch Capital ACGL**	**AXIS Specialty AXIS**	**Endurance Specialty**	**Montpelier Re**
Inception Date	11/13/01		11/8/01	12/14/01	11/14/01
Initial Capitalization ($, MM)	$1,500	$1,000	$1,600	$1,200	$1,000
Investors	Chubb/AIG/Goldman	Warburg/Hellman & Friedman	Marsh	Aon/Zurich	White Mtns/Benfield
(Re)Insurer CEO(s)	Michael Morrison	Paul Ingrey Dinos Iordanou	John Charman	Ken LeStrange	Tony Taylor
A.M. Best Rating	A+	A-	A-	A-	A-
Employees	38	Reinsurance – 39 Insurance – 40+	59	63 (w/ LaSalle)	14
Q1:02 Statistics					
Annualized Premium @ 3/31		$506			$200
Annualized Premium @ 5/1		$600 = reinsurance		$250 (w/o LaSalle)	$400
Gross Written ($, MM)	$126.7	$323.6	$265.7	$130.9	$203.7
Property Cat GPW	*$22.0*		*$104.5*		*$79.1*
Net Written	$126.7	$280.7	$260.6	$130.9	$189.4
Property Cat NPW	*$22.0*	*$50.7*	*$104.5*		
NPW(annualized):Equity	*33%*	*94%*	*63%*	*45%*	*87%*
Net Earned	$23.7	$67.5	$55.6	$17.6	$36.6
Loss Ratio	63.3%	74.8%	52.8%	54.3%	39.2%
Expense Ratio	30.2%	19.5%	27.1%	NM	29.2%
Combined Ratio	93.5%	94.3%	79.9%	NM	68.4%
Underwriting Profit (Loss)	$1.5	$3.8	$11.2	($2.1)	$11.6
Net Investment Income	$16.8	$9.2	$19.8	$5.6	$7.6
Other Income (Expense)	$0.0	($7.3)	$0.0	($0.3)	($1.0)
Operating Earnings	$18.3	$5.7	$31.0	$3.3	$18.2
Shareholders Equity	$1,518.7	$1,199.4	$1,665.9	$1,160.7	$866.9
Operating ROE	4.9%	2.0%	7.5%	1.1%	8.4%
Investments	$1,587.8	$1,058.2	$1,977.0	$1,208.5	$1,028.8
Invested Assets:Equity	*105%*	*88%*	*119%*	*104%*	*119%*
Net Loss Reserves	$15.2	$64.1	$30.3	$9.6	$15.0

Simplistically, with $5.3BB of capital, a plan for a relatively short-tail book of business (modest loss reserves & thus NII from "float"), the new capital needs to write approximately $5.3BB of writings at an 85% combined ratio to generate a 20% pre-tax rate of return (assuming 5% pre-tax on surplus). Essentially it's dollar for dollar of premium to equity, given the 15 points of underwriting profit at 1:1 premium to surplus when added to the investment return on surplus would generate the 20% hurdle. Of course, the individual company mix of business and targets will be different but this simple math (analyzed in IBNR #47) provides perspective.

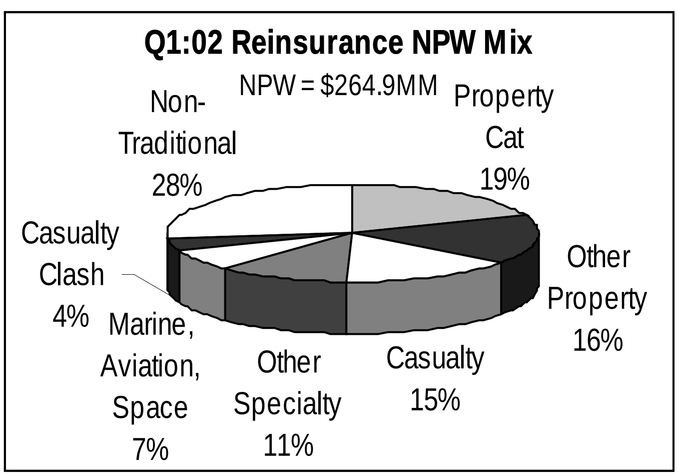
ALLIED WORLD ASSURANCE (AWAC): The only A+ player. Total premiums written in the first full quarter of operation were $126.7MM of which $22MM was property catastrophe reinsurance written on their behalf through an exclusive agency agreement with IPCRe Underwriting Services Limited (IPCR, $31.12, Buy) - approximately 24% owned by AIG. AWAC pays IPC a straight 6.5% fee (based on written premiums), with no profit participations. The overall combined ratio in Q1 was booked at 93.5% (loss ratio of 63.3%). Given the lack of cats in the quarter, it looks like AWAC is booking a small profit. In our IBNR Weekly #18, we mistakenly reported that invested assets declined since year-end. In fact, invested assets were up 6.3% to $1.6BB at March 31st.

Background: AWAC is an AIG/Chubb/Goldman venture capitalized with $1.5BB. AIG invested approx. $291MM and Chubb and Goldman each contributed $250.5MM (originally the three were to contribute a total of $500MM when the capital was intended to be $1BB). The remaining capital was raised from outside investors including Swiss Re Capital Partners. Hank Greenberg serves as chairman and Dean O'Hare is deputy chairman. Operations are run by former AIG exec Michael Morrison. Total number of employees are 38 in Bermuda of which 16 are underwriters with authority. While the company has a reinsurance department, **AWAC is primarily a direct writing insurance company**, unlike many of its Bermuda contemporaries. Currently AWAC's gross line = net line = no reinsurance. AWAC will write alongside or above AIG and/or Chubb (though it underwrites each risk individually) = for example on a D&O risk. AWAC writes at lower attachment points, an area which until recently was not being offered in the Bermuda market, thus complementing rather than competing with many of the Bermuda insurers. The company is awaiting regulatory approval to acquire two U.S. surplus lines companies, which can be used to access the U.S. market more directly, though the greater portion of its business will continue to come directly through the Bermuda brokerage community.

Current coverages follows: Property: commercial real estate accounts; communication risks; energy-related; heavy manufacturing; inland marine; primary participation in Fortune 1000 accounts; and municipal and institutional exposures. AWAC writes up to $5MM max net retained limit with a minimum attachment point above the working layer. Casualty: energy liability; excess general liability and professional liability, including D&O; products liability, including hospital professional liability; and transportation liability. AWAC offers capacity of up to $25MM net and seeks an attachment point above the working layer (usually $2-50MM).

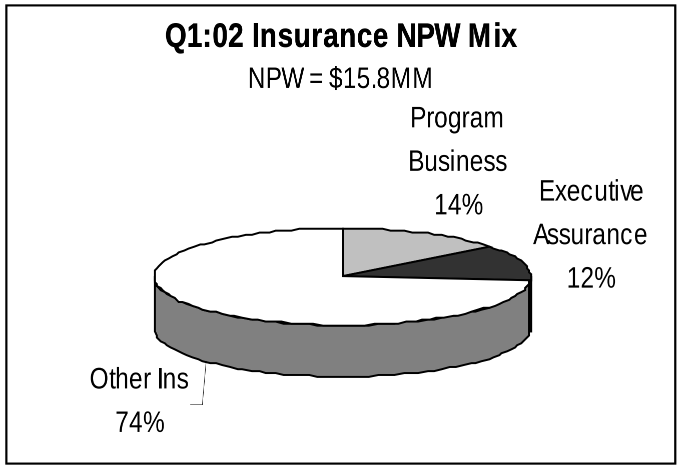
***ARCH CAPITAL*:** In October, Warburg Pincus ($500MM) and Hellman & Friedman ($250MM) invested $750MM to buy Series A Convertible Preference Shares and Class A warrants and bring total capital to $1BB. In April, mgmt completed a secondary offering with net proceeds of $180MM. ACGL has two parts: (1) Reinsurance, led by Paul Ingrey who came out of retirement and was previously at F&G Re; and (2) Primary ops, led by Dinos Iordanou formerly of Zurich, AIG & Berkshire Hathaway. Note that first quarter results largely reflect the reinsurance operations, which had a "running start" at 1/1 renewals and wrote annualized premium of $500MM. Meanwhile, the insurance operation was not truly up and running until 4/1 renewals. Details follow.

Reinsurance operations generated $265MM of GPW (and NPW) in the first quarter and produced a GAAP CR of 93%. Approx. 70% of the volume was generated in Bermuda. With the exception of property cat and non-traditional reinsurance, opportunities "are much better than we thought they would be." Mgmt suggested its #1 opportunity is in U.S. casualty business and expects to have "at least 50%" of business sourced in the U.S. by year-end. Other areas of good opportunity include U.S. medical business, D&O, long haul trucking, excess in Umbrella, excess workers' comp (in some states), international property, energy. "U.S. property business has never been better, marine, aviation, terrorism on a very selective basis, I could go on and on. Everything in this business is clearly better than it was six months ago." Regarding property cat, "we just have not seen the opportunities. We are doing a fair amount of it in the $50 million [range]. We plan to do a lot more, but we will not be driven by property cat results." Arch also writes (1) terrorism coverage (including German pool) with the aim to hold its limit per terrorism zone to around $50MM; and (2) a Lloyd's qualified quota share = Kiln. All in, through April 30th Arch has entered into more than 1,000 treaties/reinsurance arrangements with 350+ clients = approx. $600MM of annualized NPW.



Q1:02A	**Reinsurance**	**Insurance**	**Total**
Gross Written ($, MM)	$264.9	$58.7	$323.6
% Ceded	*0.0%*	*73.0%*	*13.2%*
Net Written	$264.9	$15.8	$280.7
Net Earned	$55.5	$12.0	$67.5
Loss Ratio	73.7%	80.3%	74.8%
Expense Ratio	19.4%	19.9%	19.5%
GAAP CR	**93.1%**	**100.2%**	**94.3%**
Stat CR	**88.8%**	**94.5%**	**90.0%**

Insurance ops: Again were not really up and running until 4/1 renewals. Contributed $58.7MM of GPW ($15.8MM NPW) at a breakeven GAAP CR (100.2%). Mgmt has been applying for admitted paper in all states to have in place by 7/1. Submission activity is significant, with each profit center receiving in excess of 100 submissions. Program business activity is heaviest, with mgmt binding "a significant number" of the submissions it was presented (opportunities = over $1BB of premiums). Note Arch will only write programs where it would be willing to take on 50% of the underwriting risk. Mgmt noted on their Q1 conference call that rates continue to improve with April renewals at better terms and conditions than in January, February, and March.



AXIS SPECIALTY: The company wrote $265.7MM of gross premiums (no quota-share business) in Q1 of which fully $104.5MM was property catastrophe reinsurance - which is "on target" with plan. Current business plan is keep premiums net. Q1 business was fairly evenly split between Specialty Insurance and Reinsurance and Treaty Reinsurance - though mgmt expects the ultimate mix will be 1/3 reinsurance and 2/3rds specialty insurance. Specialty Lines include marine and energy, aviation and aerospace, war risk, terrorism, political risk, and commercial property. Treaty Reinsurance provides treaty and facultative coverage to insurers of commercial and property risks, property cat, property excess of loss, property pro-rata, marine and energy, aviation and satellite. Q1 combined ratio was 79.9% which benefited from the nearly loss free quarter in property catastrophe.

Background: MMC Capital formed AXIS with $1BB of capital - the first new capital entering the marketplace post 9/11. Management team led by John Charman as CEO (former president of ACE International) and Robert Newhouse Jr. as chairman (former chairman of MidOcean Ltd. and vice chairman of MMC). With 59 employees, Axis has existing offices in Bermuda and London, is now authorized in Dublin and has recently filed form A's in New York and Hartford. In March, Axis entered into agreements to purchase two shells in the U.S. providing 50 states, DC and Puerto Rico licensing as well as surplus lines licensing in 38 states.

ENDURANCE SPECIALTY: Wrote $131MM of premium in Q1 reflecting a late start but through 5/1 renewals now have annualized premium of $250MM (before LaSalle's $100MM+) vs. business plan which looked for some $800MM in year one. The majority of Q1 business was reinsurance business produced by Aon with an avg. premium per contract of $1MM and property cat representing less than $20MM of the total. Meanwhile, 5/1 renewal business started to include direct business (f/e U.S. property accounts; excess casualty business) and "flow" has started to come in from the other major brokers. Note that none of the premium is from Lloyd's quota share deals.

LaSalle Re Deal: Mgmt recently completed its build-out of its property cat and Bermuda platforms with the May 16th announcement of the acquisition of the LaSalle Re (Trenwick) property cat book effective 4/1 (see IBNR #20). In exchange for a 25% ceding commission and a 50% profit share if the loss ratio on the business does not exceed 45% (= approx. 105% of BV or roughly $20MM), Endurance purchased the in-force property cat business ($60MM unearned premium + renewal rights; no liabilities) as of 4/1/02. Endurance will pay a 12.5% renewal commission to Trenwick as the property cat book renews. Factoring in the higher Q1 premiums (up 32% to $68.6MM) and 9/11 reinstatements, we estimate gross in-force premiums as of 3/31/02 in the $120MM range. If 100% renews, the renewal commission totals $15MM, if 75% renews = $11MM. In addition, 20 employees were offered positions, bringing Endurance's staff count to 63 (actuarial staff = 6) – on track to meet mgmt's goal of 85 within the first year.

For Endurance, the acquisition was a big win. The deal instantly provides an ongoing block of credible property cat business, employees and relationships for a modest premium. The renewal rights structure makes complete sense for Endurance who is looking to put newly raised capital to work. Property cat has been the one line in hindsight that the new startups had difficulty gaining share in the market at Jan. 1 – LaSalle gives Endurance a leg up vs. other Bermuda startups in this regard. We suspect retentions should fall well within Endurance mgmt's assumptions given existing relationships and maintenance of the A- rating.

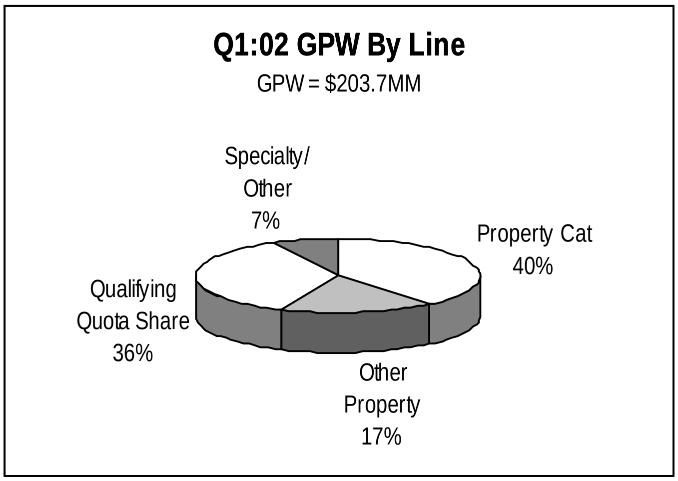
Background: Endurance was capitalized with approx. $1.2BB (all equity), of which Aon Corp invested $200MM and Zurich added $200MM. Post spin-off, Aon's Combined Specialty will be a minority owner. Ken LeStrange was appointed CEO. Endurance is a

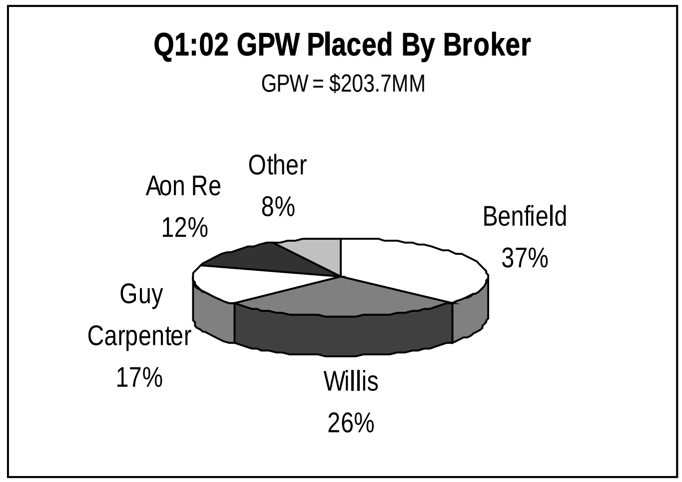
multi-line (re)insurer writing property per risk (reins. and insurance), property catastrophe reinsurance, excess casualty (D&O, excess general liability reins. and insurance and excess workers' comp reinsurance) and aviation & space liability. The business mix will adjust over the cycle.

MONTPELIER RE: **The first of the new startups to file for an IPO (this week).** Montpelier wrote $200MM in annual premiums in Q1, and another $200MM in April. Gross premiums of $203.7MM in the quarter included $129.9MM (64%) of excess of loss contracts and $73.8MM (36%) from three Qualifying Quota Share (QQS) arrangements. Net premiums contributed $189.4MM, with the $14.3MM of ceded premiums relating to reinsurance purchased by the QQS syndicates.

Montpelier produced a 39.2% loss ratio in the quarter, of which all but 1.8pts relates to IBNR (no surprise – it's early). In the qtr, Montpelier had one loss estimated at $0.7MM. GAAP combined ratio was 68.4%. Total investments ended 3/31 at $1,029MM, up 3.8% over year end. Net reserves total $15.0MM and shareholders equity ended the quarter at $866.9MM.

Business mix follows.





Regarding market conditions, "we are observing substantial increases in premium rates for renewals in 2002 compared to 2001 levels. We believe that rate increases will continue throughout 2002, although at a more moderate pace. Capital provided by new entrants or by the commitment of additional capital by existing reinsurers may increase the supply of reinsurance which could impact pricing. An increase in the supply of reinsurance could moderate rate increases."

Also last week Montpelier agreed to contribute up to $60MM (9%) in the consortium of investors forming Wellington Re (see article on page 16). In addition to the investment, Montpelier Re will provide QS reinsurance to Wellington Re for the underwriting years 2003, 2004 and 2005, producing annual premiums of approx. $60MM. Tony Taylor will join Wellington Re's Board.

<u>Background</u>: Along with Banc of America and Benfield Advisory Ltd.($25MM), White Mountains ($180MM - owns 26%) formed broker market property reinsurer Montpelier with $1BB of capital. Jack Byrne is Chairman while well-respected Lloyd's underwriter Tony Taylor (25 years of experience, recently as Deputy Underwriter at Wellington) is CEO & Chief Underwriting Officer.

OTHER START UPS: Two additional pools of capital were formed subsequent to September 11th, DaVinci Re and Olympus Re, which provide additional capital to already established players to take advantage of the acceleration in rates.

DaVinci Re (RenaissanceRe): Established in October 2001 with $500MM of capital ($400MM equity, $100MM debt). Investors include: $200MM from State Farm (existing JV partner with RNR through "Top Layer Re"), $100MM from RenRe, $50MM from MaxRe (MXRE, $15.05, No Coverage), and $50MM from other un-named investors. RNR is the exclusive underwriting manager for DaVinci in exchange for a fee + profit participation (estimated 10-15% of gross premiums written). The portfolio essentially mirrors that of RenRe's. Results are consolidated in with RenaissanceRe's reported figures and show a minority interest for the 75% not owned by Renaissance. Q1 gross premiums totaled $95.3MM.

Olympus Re (Folksamerica/White Mountains): Formed with $500MM of capital and chaired by Joseph Steinberg. In Dec. 2001 Folksamerica (WTM) negotiated a quota share retrocessional arrangement whereby effective 1/1/02 it cedes 75% of its short-tailed excess of loss business (largely property and marine) to Olympus in exchange for an override commission. In Q1, Folksamerica ceded $28.3MM of NPE and $3.5MM of losses. White Mtns earned $10.2MM of mgmt and service fee revenues in Q1.

Despite Warren Buffet's suggestion that the flood of new capital from "unsophisticates" would mean that "any period of strong pricing will almost certainly end within a year" (IBNR #43), most industry players suggested little impact from a competitive standpoint and except for Trenwick, noticed no impact on pricing trends at January and April renewals.

Q1 conference call commentary on the behavior of the start-ups (from existing players) follows:

ACE: Regarding the new entrants into the market, "we are not seeing a real major effect from the new markets, particularly in the cat business… We are one of the recognized leads. New capital is not replacing that. They are more of a following market once terms have been established by the leads."

AIG – Hank Greenberg: "The new capital in Bermuda…is really very limited. Having capital without having people and experience and infrastructure is not very much. AWAC is off to a very good start because we have staffed it with experienced people who know what they are doing. We probably have the biggest staff of the new capital in Bermuda... Most of the other companies you can't find anybody in the office when you call because they just got capital and not very many people. I am not worried about the capital in Bermuda. It is not enough to change this market."

Converium – Dirk Lohmann: "The establishment of new companies, primarily in Bermuda, caused a certain fear that this new capacity might hamper the recovery. This has not been confirmed until now. The new competitors are still suffering from a lack of access to the most important of all resources: the qualified personnel. Capital can be acquired very quickly, as the developments of last autumn demonstrate, but personnel with the appropriate qualifications and customer relationships are still in short supply. The clients have also recognized this and have favoured their previous reinsurers, including Converium, when they detected gaps or insufficiencies in their cover."

Everest Re: With respect to July renewals, mgmt suggested it's too early to tell, but the impact will most likely be seen in the cat and treaty markets. "I think to a degree, not a big degree but **to some degree we will increasingly feel the presence of the new capital.** You know it is a lot of money that has been raised and certainly there is an eagerness to put that capital to use and to write business, and some of them will be a bit better set up in July than they were in January. So realistically there is more supply there to meet the demand." Given Everest's large facultative operation and extensive international operation, "we won't see new capital too much on that front. Where we have an insurance operation we won't see the new capital for the most part at all on that front."

IPC Re – Jim Bryce: "I think all of capacity with the rate of return targets everyone has, they're being very disciplined."

RenaissanceRe: Regarding Property Cat, "The capital, to the extent that was part of business plans of the new companies, I think they have been disappointed by the amount of that business because existing markets were more attractive to the clients and so if the existing market capacity was there that's where the clients will go. And DaVinci was treated as an existing market because of its close relationship with us. But that's only the property cat reinsurance business. I think the new companies in most cases, if not all cases, were set up with much broader business plans. They were doing reinsurance of other lines of business. They were doing primary insurance business and I think in a lot of cases they were quite successful in those areas. So… I don't think property cat was such an important part of any of those business plans that the companies were that concerned. I think they found other opportunities to do business to the extent that they're writing quota shares with Lloyd's and they may be getting some cat exposure through that way."

"Subsequent to the World Trade Center tragedy, a substantial amount of capital entered the insurance and reinsurance markets both through investments in established companies and through start-up ventures. **Currently, we do not believe that the new capital has resulted in significant adverse changes to the prevailing pricing structure in the property catastrophe reinsurance market. However, it is possible that the combination of the addition of new capital in the marketplace and an environment with continued light catastrophe losses, could cause a reduction in prices of our products and may shorten the time horizon of the current price increases**. To the extent that industry pricing of our products is reduced to levels we believe to be uneconomical, then we would reduce our future underwriting premiums." [Q1:02 10Q].

Trenwick: "April 1 is an important renewal date for some regions in the property catastrophe business, particularly Japan and the United Kingdom. Rates remain generally strong**, although we believe the influx of new capital, that's had some dampening effect on pricing for Japanese business**. Year over year, rates for April 1 cat renewals at LaSalle Re were still up 30.6%. The curve was steeper for U.S. business at 35% than for international business."

XL Capital: "The new capital has been pretty conservative, responsible….they can play [at] … the table when the rates are profitable and attractive, but they can't afford really to be reckless in their risk taking because they don't have any cushion, and it'll go right into their …future plans….So I'm not too concerned about it. It's as we said earlier, **when the rate is good and strong, there's more than enough capacity amongst treaties, but if it's not where it should be, there isn't the capacity that people require.** The St. Paul thing is an interesting thing. It's not a new player, just trying to revitalize it on a Bermuda model. But I guess it remains to be seen."

QUICKIES

***** AND THEN THERE WERE THREE…EMPLOYERS RE LOSES S&P "AAA" RATING *****
Outlook Stable & No Change in Underlying Fundamentals, But New Standards

Employers Reinsurance Corp. and its wholly owned subsidiaries (ERC) had their S&P ratings lowered to AA+ from AAA based upon "ERC's Strong market position, very strong capitalization and liquidity, and improved financial leverage offset by deterioration in current operating results." The S&P analyst, Grace Osborne, wrote, **"The rating actions reflect ERC's very strong stand-alone financial characteristics. However, rating support for ERC's strategic importance to GE was not included following a recent change in Standard & Poor's group methodology criteria on April 23, 2002."** The new S&P criteria limits the amount of support provided to a "strategically important" subsidiary [ERC] to within one notch of the parent [GE].

S&P estimated: (1) premium growth of 10%-15% over the intermediate term and (2) Return on revenue of 9%.

The rating downgrade results from the **aforementioned S&P methodology which attempts to distinguish between what they consider "Core" and what they consider "Strategically Important" financial services businesses owned by major corporations**. It is our understanding that without an insurer parent, a (re)insurer subsidiary can not be considered "core" and thus can not receive credit support above AA+ from its parent (absent a parental guarantee.) We suspect GE Capital may have provided some type of limited/fixed "parental guarantee" necessary to placate S&P and retain the AA+ rating. As a stand-alone entity, absent the GE connection, we respectfully suggest the rating might have been even lower than the AA+. That said, given that the reinsurance market does not generally differentiate between AAA or AA+ (re)insurers in terms of pricing and/or opportunities, **we do not expect ERC to have any business fallout from the downgrade**. If GE does follow through on a plan to exit the reinsurance business, as has been rumored in the press, we would not be surprised if the rating were to be lowered again.

What happened? From our outside vantage point it looks like the following:
(1) The 2001 "reorganization" at S&P placed the "bank" analysts in charge of the insurance analysts as part of the larger financial services group—remember there are no AAA banks. Lead to a new way of thinking?
(2) The change in rating methodology announced April 23rd was a precursor to more "difficult" conversations with AAA reinsurers which have been ongoing. Pressure for other downgrades is clearly there depending on parental guarantees or lack thereof.

We will look at the statutory U.S. financial trends of the four (now three) AAA reinsurers next week.

***** CEA 2003 REINSURANCE RENEWAL. Less Cover Purchased. Lower Attachment Points. Overall Premium +7%. *****

2002 begins the California Earthquake Authority's ("CEA's") **sixth full year of operations**. Cumulatively to date, reinsurers have provided, on average, $2.0BB of reinsurance capacity, **collected $1.3BB+ of premium and paid out zero losses**. The CEA insures roughly 820,000 CA policyholders, generating approx. $410MM of annual written premiums. The CEA recently completed its reinsurance renewal for the 2003 year (existing programs expire 12/31/02). Original proposals were to replace roughly $1BB of traditional reinsurance protection (in first and second reinsurance layers) with catastrophe bond/hybrid protections in an effort to reduce the CEA's exposure to reinsurers. In the end, the reinsurance industry won out and kept the full program (at a different

structure) by offering an average 7% rate increase YOY. The CEA, effectively the personal lines earthquake market in California, is illustrative of the capacity available in property catastrophe reinsurance. Our estimate that pricing would increase 0-10%, despite the "hard" market, proved accurate. The new Bermuda markets, while writing a lot less than we suspect they wanted (wrote $56MM of limits or only about $4.2MM of premium), were undoubtedly a factor in keeping pricing in line. Details of the renewal follow:

STRUCTURE: The **reinsurance layers have been split into four tranches providing $1.5BB of coverage as compared to two in 2002 providing $2.0BB** (= lower risk). In addition, the attachment points are lower (= greater probability of risk). Structure comparison follows:

	2003 STRUCTURE: Total $6,961MM at 1/1/03 (est.)		**2002 STRUCTURE: Total $7,522MM at 12/31/01**
2nd Industry Assessment Layer	$1,456	2nd Industry Assessment Layer	$1,456
4th Reins.Layer $338 x $4.817B	**$338**	**2nd Reins.Layer $538M x $5.178B**	**$538**
"Transformer" Reins.Layer $200x$4.617B	**$200**		
LOC -- Interim GRB Financing	$617	LOC -- Interim GRB Financing	$717
"Pre-Event" General Revenue Bond	$100		
2nd Reins. Layer $400 x $3.5B	**$400**	**1st Reins.Layer $1.434B x $3.027B**	**$1,434**
1st Reins. Layer $600 x $2.9B	**$600**		
First Industry Assessment Layer	$2,183	First Industry Assessment Layer	$2,183
Capital & Retained Earnings	$717	Capital & Retained Earnings	$844
Minimum STAT Capital	$350	Minimum STAT Capital	$350

A multi-layer catastrophe reinsurance contract makes up layers 1, 2, and 4 above, which is provided by reinsurers proportionally among all the layers (reinsurers did not have their choice of which layer they wanted to participate on). Across all three layers, the ROL was 7.4% or $99MM of premium. Layer 3, the "Transformer" reinsurance layer, represents coverage by a reinsurer (Swiss Re Capital Markets) who in turn arranges for protection in the capital markets. In essence, Swiss Re "paper" provides traditional reinsurance protection to the CEA on the front-end while the CEA specific risk is "transformed" into an "ILW" (industry loss warranty) cat bond on the back-end. The ultimate high yield bond buyer's exposure is based upon industry, not CEA earthquake losses. This layer is similar to the $200MM line provided by Swiss Re/Lehman Re in the 2nd Reinsurance layer during the latter part of 2002.

RATE ON LINE: The table below provides a summary of the 2003 ROL's in each layer as compared to prior year's placements. Comparing the first two reinsurance layers in 2003 with the prior years, the average ROL increased 15% from 7.14% in 2002 to 8.18% in 2003. Note, ROL's are difficult to compare YOY given the changes in coverage and attachment points. Combined in 2003, these two tranches provide $434MM less coverage ($1.0BB vs. $1.434BB in 2002) and attach about $100MM lower than in 2002 (driven by lower capital and retained earnings). Combined the 3rd and 4th reinsurance layers together compares with the prior year. While the coverage remains at $538MM, the attachment point in 2003 is approx. $560MM lower than in 2002 and the ROL decreased marginally. **In the aggregate, adjusting for exposure changes, the CEA indicates that the overall price increase was +6.99%.**

2000 Placement	2001 Placement	2002 Placement	2003 Placement
FIRST REINSURANCE LAYER			
Two Tranches: • $1.234BB from Traditional Reinsurers @ ROL 8.5% • $0.200BB from Lehman Re/Capital Markets @ ROL 7.5%	Three Tranches: • $1.134BB from Traditional Reinsurers @ 8.50% • $0.200BB from Lehman Re/Capital Markets @ 7.50% • $0.100BB from Swiss Re/Capital Markets @ 5.99%	Three Tranches: • $1.134BB from Traditional Reinsurers @ 7.25% • $0.200BB from Lehman Re/Capital Markets @ 7.10% • $0.100BB from Swiss Re/Capital Markets @ 5.99%	Two Tranches: • $600MM from Traditional Reinsurers @ 8.80% • $400MM from Traditional Reinsurers @ 7.25%
Average ROL = 8.36%	**Average ROL = 8.19%**	**Average ROL = 7.14%**	**Average ROL = 8.18%**
SECOND REINSURANCE LAYER			
• $1.075B from Berkshire Hathaway/CNA @ 10.75%	• $538MM from Berkshire Hathaway/CNA @ 6.625%	• $538MM from 18 reinsurers @ 5.50%	• $200MM from Swiss Re/Capital Markets @ 5.50% • $338MM from Traditional Reinsurers @ 5.15%

The table to the right summarizes the historical rates on line (ROL) paid by the CEA for the 1st & 2nd Reinsurance Layer reinsurance layers (1st in all prior years given structure change).

The cost of the $200MM Transformer layer (at 5.5% ROL) is $11MM and the $338MM 4th Reinsurance Layer is $17.4MM. Thus, the total premium paid by the CEA to reinsurers for the 2003 renewal across all four layers = $110.2MM. The annual placement fees to the placing brokers (led by Benfield Blanch) were not changed at $5.5MM.

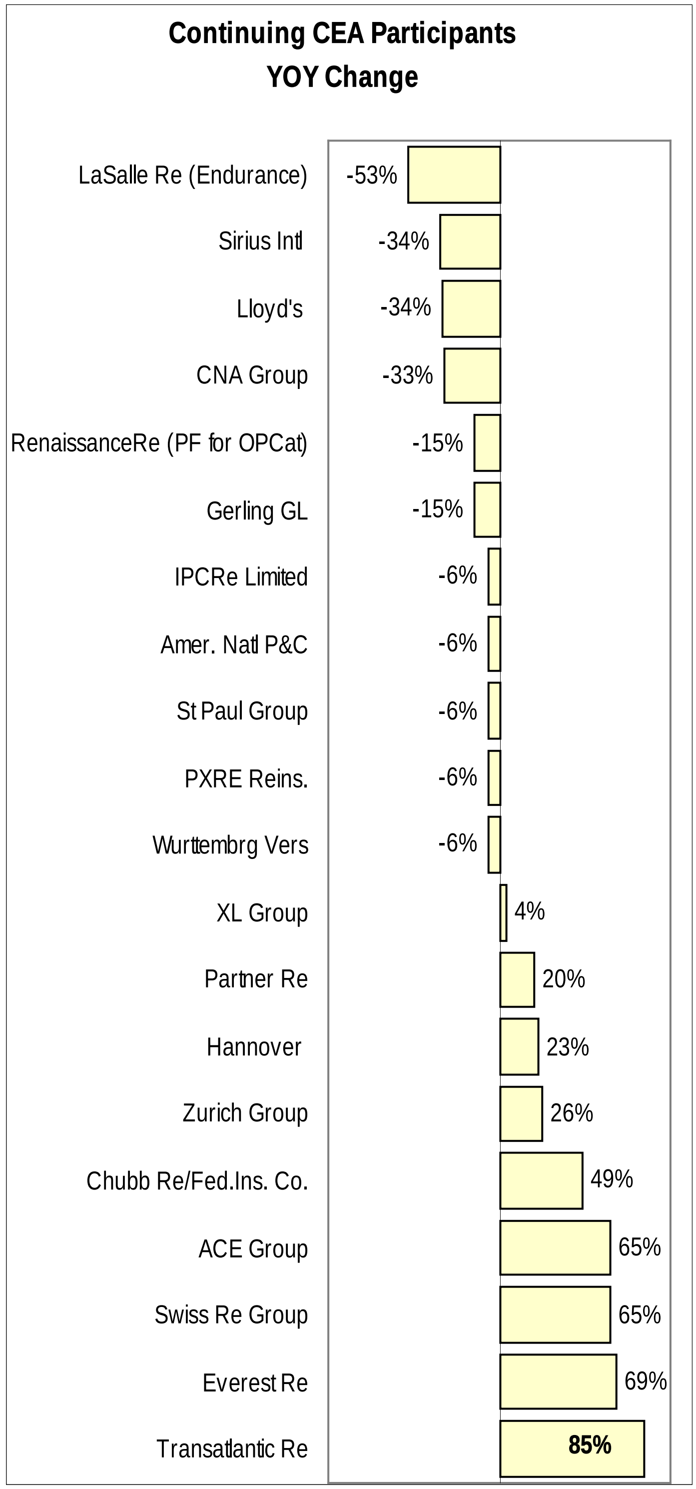
First Reinsurance Layer **Year/Description**	**ROL**	**Reinsurance Premium**
1997	14.375%	$206.0
1998	14.375%	$206.0
1999	11.000%	$157.7
1999 Adjustment		-$15.8
1997-1999 NCB		-$66.1
Average Annual ROL 1997-1999	***11.340%***	***$487.8***
2000	8.360%	$119.9
2001	8.190%	$117.4
2002	7.140%	$102.4
2003*	8.180%	$81.8
Average Annual ROL Since Inception	***9.470%***	***$909.3***

PARTICIPANTS: There were 32 reinsurers providing the traditional reinsurance cover, of which **seven were new to the program (including one new Lloyd's participants = MAP, and all the Bermuda startups except Endurance – though LaSalle Re received a $9.4MM line) while 13 dropped out/were dropped (including three Lloyd's participants = Alleghany Underwriting, DP Mann, Catlin).** In total, new participants added $67.4MM of capacity for 2003 while dropped capacity totaled $130.5MM (though the total capacity in this layer is down about $100MM). As the graph below illustrates, of the continuing players, eleven dropped their lines for 2003, 9 increased. Note the Lloyd's 2002 total in the table and chart represents only those that continued to participate on the 2003 program. Thus the YOY change reflects the change in participation among those continuing. The largest line decline was seen at Wellington which declined from $35.8MM to $16.8MM.

New Participants:

Allied World ($, MM)	$4.7
Arch Re Ltd.	$5.6
AXIS Specialty	$2.5
Da Vinci	$25.0
MAP	$1.9
Montpelier Re (White Mountains)	$18.3
Odyssey America Re	$9.4
Total New Participants	**$67.4**

Traditional Reinsurance Layer	2002 Line	2003 Line	YOY Chg
ACE Group	118.4	194.9	65%
Allied World		4.7	*New*
Amer. Natl P&C	5.0	4.7	-6%
Arch Re Ltd.		5.6	*New*
AXIS Specialty		2.5	*New*
CNA Group	111.4	75.0	-33%
Da Vinci		25.0	*New*
Everest Re	50.0	84.4	69%
Chubb Re/Federal Ins. Co.	35.0	52.1	49%
Gerling GL	14.3	12.2	-15%
Hannover	41.9	51.5	23%
IPCRe Limited	10.0	9.4	-6%
LaSalle (Endurance, f/Trenwick)	20.0	9.4	-53%
Lehman Re		66.9	*New*
Lloyd's*	61.7	40.8	-34%
Montpelier Re (White Mountains)		18.3	*New*
Odyssey America Re		9.4	*New*
Partner Re	104.3	125.3	20%
PXRE Reins.	4.4	4.2	-6%
Renaissance Re (PF for OPCat)	58.8	50.0	-15%
St Paul Group	29.5	27.6	-6%
Sirius Intl	5.7	3.8	-34%
Swiss Re Group	130.0	214.7	65%
Transatlantic Re	30.0	55.6	85%
Wurttembrg Vers	0.2	0.2	-6%
XL Group	122.5	127.2	4%
Zurich Group	50.0	62.8	26%
Traditional Reinsurance Layer	**1,003.1**	**1,338.0**	**33%**
2002 Participants That Dropped	**130.5**		
	1,133.6		
Lehman Re/Capital Markets	115.0		
Swiss Re + Lehman participation	185.0		
1st Aggregate XS Reinsurance	**1,433.6**	**1,338.0**	**-7%**



*****AON UPDATE: COMBINED SPECIALTY SPIN OFF DELAYED & $20-30MM CHARGE EXPECTED FOR BAD MGA*****

Aon announced: (1) that its spin-off of Combined Specialty Group (CSG) will be delayed beyond June 30th "given the expected timing of certain regulatory approvals"; (2) an expected pre-tax charge of $20 to $30MM ($0.05 to $0.07/sh after-tax) related to an alleged breach of contract by National Program Services (NPS), an independent managing general agency who produced business for Aon's Combined Specialty. Recall Aon had previously anticipated the completion of the spin-off during second quarter. The

news of the delay and another charge does not help Aon's "credibility" issue and furthermore we suspect the additional attention to the regulatory approval process will hurt Combined's goal to be in full stride for 7/1 renewals.

2002 Guidance: Mgmt noted that the Q2 NPS loss was not factored into earlier earnings per share guidance (lower half of the $2.30 to $2.75 earnings per share range of analysts' estimates) and that the company will provide an outlook on the financial performance for both the "New" Aon and Combined Specialty Group when Q2 results are reported.

More on NPS Charge (from 8K and statutory filings): The expected $20 to $30MM Q2 charge relates to National Program Services (NPS), an independent managing general agent who specialized in insurance policies for apartment owners. The charge covers underwriting losses, un-remitted premiums, run-off and legal costs.

> Background: In December 2000, Aon's Combined Specialty Insurance Company (formerly Virginia Surety) and NPS signed an agreement in which NPS agreed to act as a managing general agent (MGA) for Combined. Under the agreement, NPS was responsible for underwriting, quoting, binding, premium collection, claims adjusting and other servicing related to general liability insurance policies issued by CSIC for apartment owners. On May 2, 2002, CSIC filed a lawsuit against NPS alleging breach of contract and failure to perform its obligations under the MGA agreement. Among other relief, CSIC was seeking an order restraining NPS from withdrawing or using funds paid to it on behalf of policyholders for insurance coverage with CSIC and requiring it to produce accounting records and other documents for an immediate audit by CSIC. On May 3, 2002, the court entered a consent order granting the injunctive relief requested by CSIC. NPS subsequently has ceased operations. CSIC is in the process of running off the remaining business placed by NPS with CSIC and overseeing the handling of the related claims. CSIC's litigation against NPS is ongoing. In the pending litigation, CSIC continues to seek recovery from NPS for uncollected premiums and other damages.

Meanwhile, the table below puts Combined Specialty's MGA relationships (before reinsurance supporting the programs) in perspective = not a significant number of significant MGA relationships for historical CSG. Note that NPS = $50.7MM of direct premium in 2001. We suspect the business was at least partially reinsured. Also note that the relationship gone bad was different than the problem Aon reported in Q1 where an Aon owned MGA (K&K) suffered due to the downgrade of a carrier (we suspect TIG) = loss of revenue on brokerage side of business.

Footnote 19 - MGA Disclosure

MGA	Location	Type of Business	Authority	Total Direct Premium
Muirfield Underwriters LTD	Chicago	Workers Comp	R, B, P	$245.6MM
National Program Services	Cedar Knolls, NJ	Other Liability	C, CA, R, B, P	$50.7MM
All Other MGA's				$43.5MMA

Authority Codes: C = Claims payments, CA = Claims adjustment, R = Reinsurance ceding, B = Binding Authority, P = Premium Collection

*****MUNICH RE Q1 ANALYST CONFERENCE: AMERICAN RE RESERVE CERTAINTY NOT YET POSSIBLE.*****
2002, Expect "Substantial" Steps To Be Taken. 2003 To Attribute Positively to Munich (AY CR below 100%).

Munich Re held its first quarter analyst conference this week. Highlights relating to the American Re's "mistakes" and go forward expectations follow. Hans-Jürgen Schinzler: "After sub-par years in 1999 and 2000, American Re again failed in 2001 to produce an acceptable result and this was clearly a set back and a disappointment …They were negatively influenced by both the WTC disaster and the need to further strengthen reserves, but it is the latter which is troubling…Candidly ...some of the fundamentals were wrong and we paid the price. **Hindsight tells me that we should have intervened earlier, that we should have intervened more decisively than was the case.** We and the American Re management made some mistakes, no doubt about that, but I hope that the steps now taken will reassure investors of our fierce determination to do whatever is necessary to turn the results around in the shortest possible time…We are convinced that the refocused, more tightly managed American Re will quickly return to profitability and **I expect a substantial step in this direction to be achieved in 2002 with 2003 being the year in which it again attributes positively and fully to the overall Munich Re result."**

Regarding the reserve review underway, **"I would like to be able to assure you today that all reserving issues are behind us, but it is, of course, not possible to be certain yet** ...It is, of course, true that respected industry commentators in the US believe that the issue is not yet over in the market as a whole. **Whilst American Re may be somewhat ahead of the curve, it may not be completely unaffected if the industry estimates are accurate. In any event, we are committed to bringing American Re**

up to required standards and we will not shirk from doing so." As to whether any part of the $5BB of capital gains will go toward reserve strengthening, Hans-Jürgen Schinzler noted, "that decision is been taken on whether any part of the proceeds of the transaction could be used for reserve strengthening, because we don't know yet what reserve strengthening requirements may be required, although there is no reason to be optimistic or pessimistic...So, when we get to that point we will be clear on it." **While $2.0BB has already been added to prior period reserves we think another $500MM to $1.0BB will likely be added.**

Regarding accident year combined ratio targets, new CEO John Phelan noted,

> "If you look at the how a cycle might develop ...it is clear that on an accident year basis there are years in which we would have to come in at significantly under 100% combined ratio. **At American Re, although we have for the first quarter, as I mentioned, a very conservative assumption in our current plan. We, nevertheless, look at 2002 coming in roughly around Munich Re's target, somewhere between 103% and 105% combined ratio we think on an accident year basis. We look to next year at being below 100%.** That is our intention and that's our plan and we believe that we can pull that off. We are spending a lot of time talking about cycle management because that frankly, is the essence of success in this business. Working for the present is already too late. We have to be thinking about what's going to happen next and that is indeed what we are doing. So, we're looking towards next year and years beyond in the US marketplace."

Regarding American Re's **asbestos exposure**: "Our [U.S. asbestos] market share is about 1.2%. Our share of reserves is about 3.5%. So, that would indicate that we are reasonably well reserved, but I take greater comfort from the others, **which our people performed in 1999, which indicates a ground up analysis**, the second of two done in a ten year period. The assumptions made in 1999 are still valid and also that the provisions that we've been making since for exposures not contemplated in the 1999 review have been more than adequate to the purpose." No offense, but the asbestos environment has changed dramatically since 1999. Another ground up study is due in our mind.

TERRORISM INSURANCE: DESPITE THE OBVIOUS FACTS, THERE REMAINS A QUESTION AS TO FEDERAL ROLE

As expected due to the continued delay of a federal terrorism backstop, on Friday, Moody's placed the ratings of classes **from 14 commercial mortgage backed transactions (worth $5BB – most in NY) on watch for possible downgrade** due to concerns about terrorism insurance coverage (coverage expired or would expire by Q3-end). "We believe that ignoring the risks would be inappropriate given the events of September 11th and continued government warnings of the likelihood of future terrorist attacks. While the probability of a major downgrade or default because of a terrorist attack remains fairly remote, the overall risk in these transactions has clearly increased."

Despite Moody's position, adding potential uncertainty to a Federal role, a recent **Federal Reserve survey suggests the lack of access to terrorism risk insurance has had little impact on banks' willingness to offer loans on commercial real estate**. See http://www.federalreserve.gov/boarddocs/SnLoanSurvey. Although there has been a tightening of standards and terms for loans due to reduced tolerance for risk, since 9/11, about 90% of domestic banks (60% of foreign) suggested their rejection rate on loan applications to finance high profile commercial real estate properties has remained about the same. Regarding demand, 80% of domestic and >70% of foreign institutions experienced little or no change in demand for loans because potential borrowers were unable to secure affordable insurance against acts of terrorism. Note that 70% of banks have less than 5% of their cml real estate loans in high profile or heavy traffic properties and of the loans for high profile buildings, 74.5% of banks require less than 10% ($ value) of loans to carry terrorism insurance. With respect to existing loans, domestic lenders suggested that if an existing borrower is unable to secure terrorism coverage for a high profile property, the most likely response would be to require additional collateral and modify the existing loan covenants to allow for partial coverage. Foreign banks noted a likelihood to increase fees or interest rates associated with the loan.

LLOYD'S BASED WELLINGTON FORMS WELLINGTON RE WITH £448MM OF CAPITAL FROM INVESTOR GROUP

Lloyd's based Wellington announced: (1) the raising of £448MM ($653MM) of capital to form Wellington Re, a London-based, FSA authorized reinsurer to "support the future growth of Wellington's underwriting capabilities" and (2) management's intention to raise equity to "increase Wellington's economic interest in the holding company of Wellington Re [to be located in Bermuda], strengthen Wellington's balance sheet and support its share of the future development of Syndicate 2020's underwriting." With respect to the £448MM of capital raised, the investor group is led by The Blackstone Group and Candover Partners, and includes Credit Suisse First Boston Private Equity, Montpelier Re, 3i Group plc, Phoenix Equity Partners, Olympus Partners, Lexicon Partners and

members of the management of Wellington Re. In addition, from its S-1 filing this week we learned that Montpelier Re (recall CEO Tony Taylor was previously Deputy Chairman at Wellington) will (1) provide 9% or approx. $60MM of the capital in two tranches ($32MM before June 30 and the rest in November); and (2) Montpelier Re has agreed to provide quota share reinsurance to Wellington Re = approx. $60MM of premium to Montpelier for the underwriting years 2003, 2004 and 2005.

Wellington Re will be the largest independent reinsurance company based in the UK and will focus on property and casualty reinsurance and UK commercial insurance. The Board of Holdings, the holding company of Wellington Re, will include Paul Myners (Chairman), Chris O'Kane (= new Chief Executive at Wellington Re), Julian Cusack (Finance Director = CFO at Wellington) and Heidi Hutter (Non-Executive Director, formerly CEO of Swiss Re North America). Approximately 40 Wellington employees will transfer to the new company. The formation of Wellington Re is subject to a number of approvals, including the consent of a majority of third party capital providers to Syndicate 2020 and the approval of Lloyd's and the FSA. Members Agents representing 72% of third party capital providers to Syndicate 2020, who have been independently advised by Hawkpoint, have irrevocably committed to recommend the proposals.

Meanwhile, management suggests the key benefits of Wellington Re to Wellington include: (1) a "significant strategic and economic interest in a strongly capitalized business which will be ideally placed to benefit from the favourable underwriting and rating environment"; (2) enhanced financial returns for all capital providers to Syndicate 2020, including Wellington = 46% provider of capital; (3) reduced volatility of Syndicate 2020's underwriting returns; and (4) permanent capital to support the expansion of Wellington's US business, Wellington Underwriting Inc.

A.M. BEST REPORTS 2001 RESULTS WERE THE WORST EVER FOR P/C INDUSTRY

2001 = Industry's First Ever Net Loss ($7.3BB)

Report Highlights: (1) CR (CY Basis) deteriorated 5.8pts. to 116%, (2) normalized AY CR (Ex A&E & Cats) improved 3.7pts. to 104.7%, (3) Policyholders' surplus declined for the second consecutive year, down 8.6% to $290MM (down 5% in 2000), (4) NPW up 8% to $323.8BB, (5) unrealized capital losses were $18BB, (6) net investment income declined fully 7% YOY, and (6) while reserve deficiency did not grow **industry reserves, specifically commercial lines, remain "significantly under-reserved."**

No surprise A.M. Best reported Cats and reserve strengthening were the primary drivers behind the poor 2001 results. The "reported" 116% CR includes 7.7pts. of cats (vs. 1.5pts. in 2000) and 3.6pts. of adverse loss reserve strengthening, including A&E, which Best reported added $4BB to 2001 incurred losses compared to $1.7BB YOY. Excluding cats industry results were still unacceptable as margins were pressured by rising medial inflation, rising repair costs, and increasing jury awards.

Best noted the one "bright spot" for the year was pricing which is evidenced by the improvement in the normalized AY CR of 3.7pts. YOY to 104.7%. Best reported this trend reflects aggressive pricing and re-underwriting initiatives but cautioned **"the reality of these results will not be known for some time, as this business is not fully developed."** Premium growth for the industry was up 8% YOY largely reflecting strong price increases. In Q4 premium growth was 6.2%, which Best noted would have been higher, except for significant cessions of GPW by reinsurers to offshore parents and an increase in retro premiums paid under aggregate stop loss agreements due to recent losses.

A.M. Best P/C Industry Trends ($, BB)	**2001**	**2000**	**Chg**
Net Premium Written	$323.8	$299.9	8.0%
Net Investment Income	$37.8	$40.7	-7.0%
Realized Capital Gains	$6.6	$16.2	-59.3%
Year End Policyholders' Surplus	$290.0	$317.4	-8.6%
Pure Loss Ratio	75.4%	68.3%	7.1
LAE Ratio	13.1%	12.9%	0.2
U/W Exp Ratio (Incl'd P Divs)	27.5%	28.9%	-1.5
CY C. Ratio	116.0%	110.1%	5.8
Less: Cat Losses	7.7%	1.5%	6.2
Less: A&E Strengthening	1.5%	0.6%	0.9
Normalized C. Ratio	106.8%	108.0%	-1.2
AY C. Ratio (Normalized)	104.7%	108.4%	-3.7

Outlook: Despite the general improvement in AY results led by higher rates and more favorable terms and conditions, Best remains concerned "that pricing in a number of the large market segments, particularly personal automobile, workers' compensation, commercial automobile, and medical malpractice are **still below adequate levels."** Best suggests certain of these lines will require additional double-digit rate increases to achieve an economic break-even CR. Given this scenario, in addition to Best's expectation that the industry's core reserves are deficient, weak equity markets/low interest rates and slowing economy, **Best expects the P/C industry's near-term recovery (2002) will be moderate and looks for significant improvement in 2003.**

By segment,

A.M. Best P/C Segment Trends 2001 vs. 2000	**Personal Lines**	**Commercial Lines**	**Reinsurance**	**U.S. Industry**
Loss/LAE Ratio	87.7%	88.2%	117.4%	88.5%
U/W Exp Ratio (Inclds P. Divs)	26.5%	28.9%	28.8%	27.5%
2001 CY Combined Ratio	114.2%	117.1%	146.2%	116.0%
2000 CY Combined Ratio	110.8%	108.7%	116.1%	110.1%
Change in NPW	8.6%	7.9%	5.9%	8.0%
NPW:Surplus	1.3	1.1	0.4	1.1

Reinsurance underwriting losses were $12.8BB and as expected reflect 9/11 losses, adverse reserve development at a number leading groups (Gen Re, American Re, ERC, f/e), and lower investment income. **On a "normalized" basis the group reported a CR of approx. 117%** (still well above break-even). Surplus deteriorated 26% for the year due to (1) operating losses of $8.7BB, (2) unrealized losses of $8BB, and (3) $14BB in charges due to codification ($8BB due to National Indemnity). Surplus loss was partially offset by $6.9BB in capital contributions. Pricing actions led to GPW growth of 17.8% during the year. In addition to rates, the segment is benefiting from improving terms and conditions including higher retentions and a shift to XOL policies. It's interesting to note that despite significant operating losses and decline in surplus the segment's premium to surplus ratio remained extremely low. Best noted roughly $25BB of new capital was added to the segment during the year and commented that to date "the overall market has remained rational in setting pricing, terms, and conditions," but cautioned "that while entrants…have been disciplined…they have begun to write business in lines that were not in their original plans." **Commercial** lines results reflect 9/11 losses, adverse reserve development (roughly $5.6BB or 4.7pts), and rising loss costs particularly in w. comp, general liability, and med mal. Surplus declined 5.2% for the year. Strong rate increases in w. comp, med mal, and cml auto led to an increase of 7.9% in NPW for the segment. Despite the positive outlook for rates and improving terms and conditions, Best remains concerned with carried reserve levels and expects ongoing adverse development and rising loss cost inflation will challenge an improvement in profitability. **Personal** lines results as expected were impacted by mold, inadequate rates, weather, and rising loss costs which led to a CR for the year of 114.2% and a decline in surplus of 7.2%. The segment's results were heavily influenced by significant losses at State Farm, which alone lost 9% of its surplus. Ex State Farm the personal group recorded a CR of 110.3% and a loss of surplus of 3.8%. Premium growth was 8.6% due to rate increases in both auto and homeowners.

COMPANY MEETINGS

VJD was a guest at a recent **Reinsurance Association of America (RAA)** off-site strategy meeting. Ireland was chosen given its growing presence in finite reinsurance and its position as a probable major competitor to Bermuda in the event of radical tax changes. RAA President, Frankie "Eggs" Nutter, and RAA Chairman, John "Speedo" Berger of ChubbaRe, chaired the four-day seminar (six outdoor meetings). Participants with reinsurance experience (Al "Premium" Beer of American Re, Jim Slattery "will get you nowhere" of Swiss Re & now Alleghany Corp.) engaged in many lively debates over the future of the reinsurance industry with the sole representative of the primary industry, Dan "Bogie" Carmichael, CEO of Ohio Casualty. VJD, the token representative of the investment community, unable to keep pace with the cerebral fencing of the (re)insurance "professionals," simply responded to every question by handing out either the (a) "find your ROE" matrix or (b) "four phases" underwriting clock exhibit. A week ago Tuesday was the 44th birthday of Eddie "gorufu" Noonan, former CEO of American Re & current Contributing Editor of the *IBNR Weekly* (ed@IBNR.com). After dinner, paid for in absentia by Jim "I bagged out at the last minute but made the mistake of giving Dowling my AMEX card number" Fisher, Mr. Noonan demonstrated the verbal skills that catapulted him to the pinnacle of the reinsurance industry. Mr. Noonan, a product of Catholic schools, after impressing a small crowd of woman with his knowledge of the Irish World Cup soccer team's prospects and the validity of the Bornheutter-Ferguson model, was soon discussing Catholic school education in America with an attractive middle age woman. To make amends for guessing that this was his 45th birthday, Mr. Noonan suggested his new friend "give him a kiss on the cheek" for his birthday. The startled woman, speechless, turned out to be a nun from Michigan on Holiday with her sister and mother—who enjoyed the experience almost as much as the RAA seminar participants. Rumors to the contrary notwithstanding, it is not true the decision to move the seminar to Scotland next year was a result of formal request(s) by Irish Authorities and/or the Sisters of the Immaculate Heart.

BRIEFS

- **ACE** will acquire 22% (for $150M) of Huatai, 4th largest P/C insurer in China, and appoint 3 members to its Board.
- **Halliburton** settled 30 mesothelioma and lung cancer cases in NY at a value consistent with historical averages & stock rose.
- **Alfa Ins Group** estimates its losses from April storms in Alabama at approx. $7.5M = $0.08/sh in Q2.
- **Employers Re** applied for a full p/c insurance operating license in China. Decision expected in 18-24 months.
- **St. Paul Fire & Marine Ins Co** placed 190.4M shs of Old Mutual Plc at 105 pence/sh in an early "surprise" release of lock-up arrangements. Over-allotment option = 38.1M of new ordinary shs. Old Mutual shares dropped 5.5% in London.
- On the eve of the official start of **Hurricane Season** (June 1st) Dr. Gray lowered his '02 prediction by 1 to 11 named storms, 6 hurricanes, 2 major (avg. = 10, 6, 2). Chance of one Maj. hurricane hitting U.S. = 63%. Revision reflects cooler Atlantic temps.
- **Cox Ins's** CFO Richard Brewster quit and will be replaced by James Morley effective 06/10/02.
- Tony Markel, President/COO of **Markel**, initiated a "forward" sale of approx. 25% (90,000 shrs) of MKL stock in efforts to "diversify." "I have resisted an outright sale of stock because of my enthusiasm for the future of this organization and my bullishness re the financial results that I think we are now poised to produce." This is not "a harbinger of imminent retirement or, more importantly, a lack of confidence or excitement about our future." Markel continues to own approx. 270K shrs.

Rating Actions

- S&P placed **Gulf Group's** financial strength & credit ratings on WatchNeg due to upcoming removal from the Travelers pool.
- A.M. Best downgraded **Overseas Partners** from "A" to "B++" and removed from under review citing adequate capitalization and loss reserves for its run-off obligations.
- **Correction**: Last week we mistakenly indicated that S&P had affirmed the A- rating of **Lloyd's** and removed rtg from CreditWatch. In fact, **S&P affirmed Lloyd's A rating**. Apologies for the error.

UPCOMING INSURANCE DEALS

COMPANY	TYPE	LEAD MANAGER	SHARES	$ AMT	PRICE	DPS U/W?
Crum & Forster	Equity—IPO	Bank of America Sec.				**NO**
Hub International	Secondary	J.P. Morgan	5MM	$69 MM net	$14-$16	**NO**
Meadowbrook	Secondary	Friedman, Billings, Ramsey	18.5 MM	≈$55 MM		**NO**
Platinum	Equity—IPO	Goldman Sachs	40.0 MM	$1.0 BB	$25.00	
Safety Holding	Equity—IPO	CSFB & Jefferies & Co		$100 MM		**Yes**
U.S.I. Holdings	Equity—IPO	Merrill Lynch & J.P. Morgan		≈$115 MM		**NO**
White Mountains	Secondary	Morgan Stanley	1.0 MM	≈$365 MM	$365.00	**Yes**
Montpelier Re	Equity - IPO	Morgan Stanley		≈$250 MM		**Yes**

YES = Dowling & Partners Securities, LLC is a Member of the underwriting syndicate for the specific deal.

DOWLING & PARTNERS RESEARCH CALENDAR (not a complete listing)

June 18, 2002 — **AIG** Analyst Meeting in NYC. (BTW & VJD to attend).
June 19, 2002 — **CNA** Analyst Meeting in NYC. (BTW to attend).

The *IBNR Weekly* is produced by the research staff of Dowling & Partners Securities, LLC, which includes V.J. Dowling, Jr., Brenna Sullivan, Brian Wilhelm, Jennifer Callahan, Lucio Lefante, Darren Gill, Amit Kumar & Julia Ferguson.

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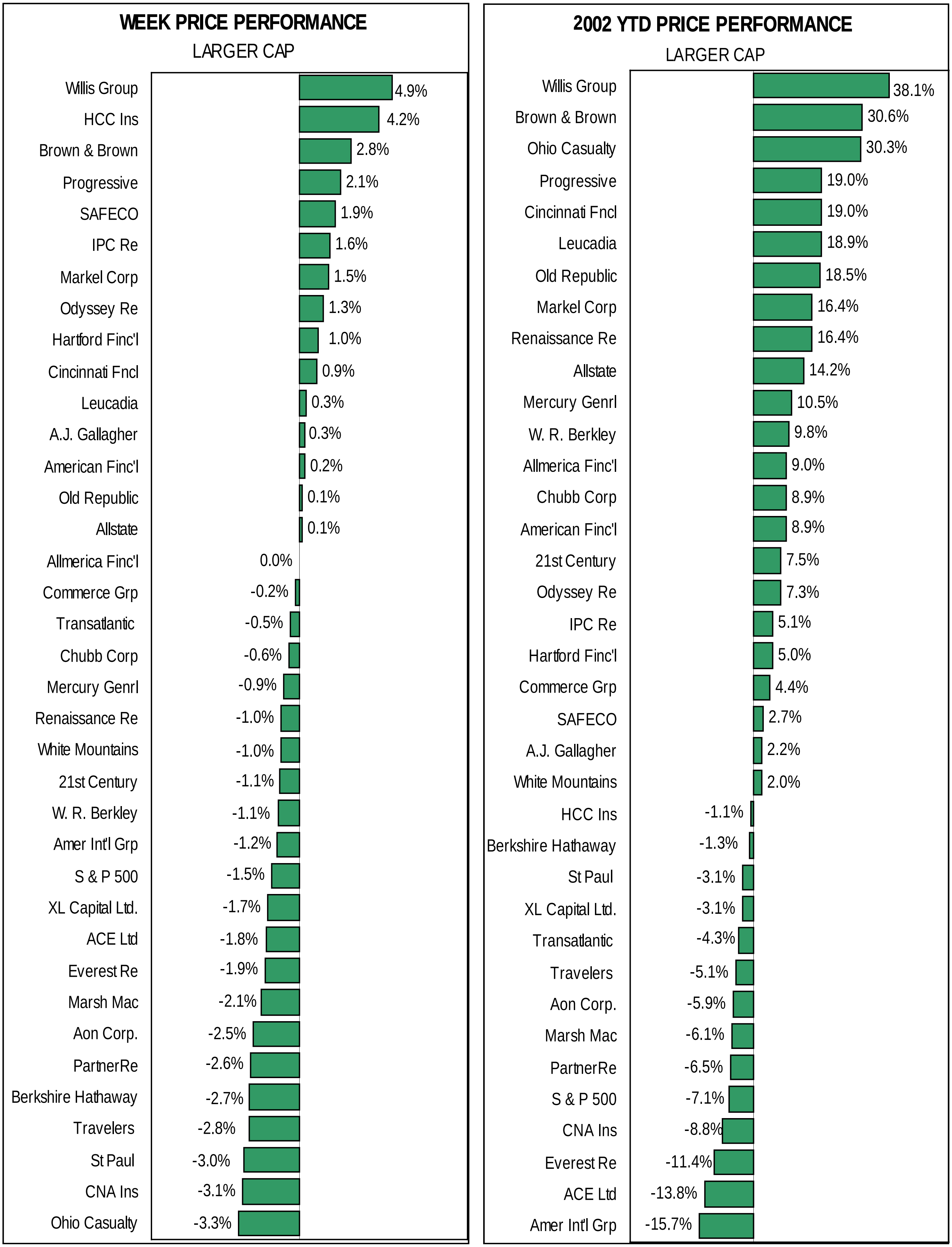
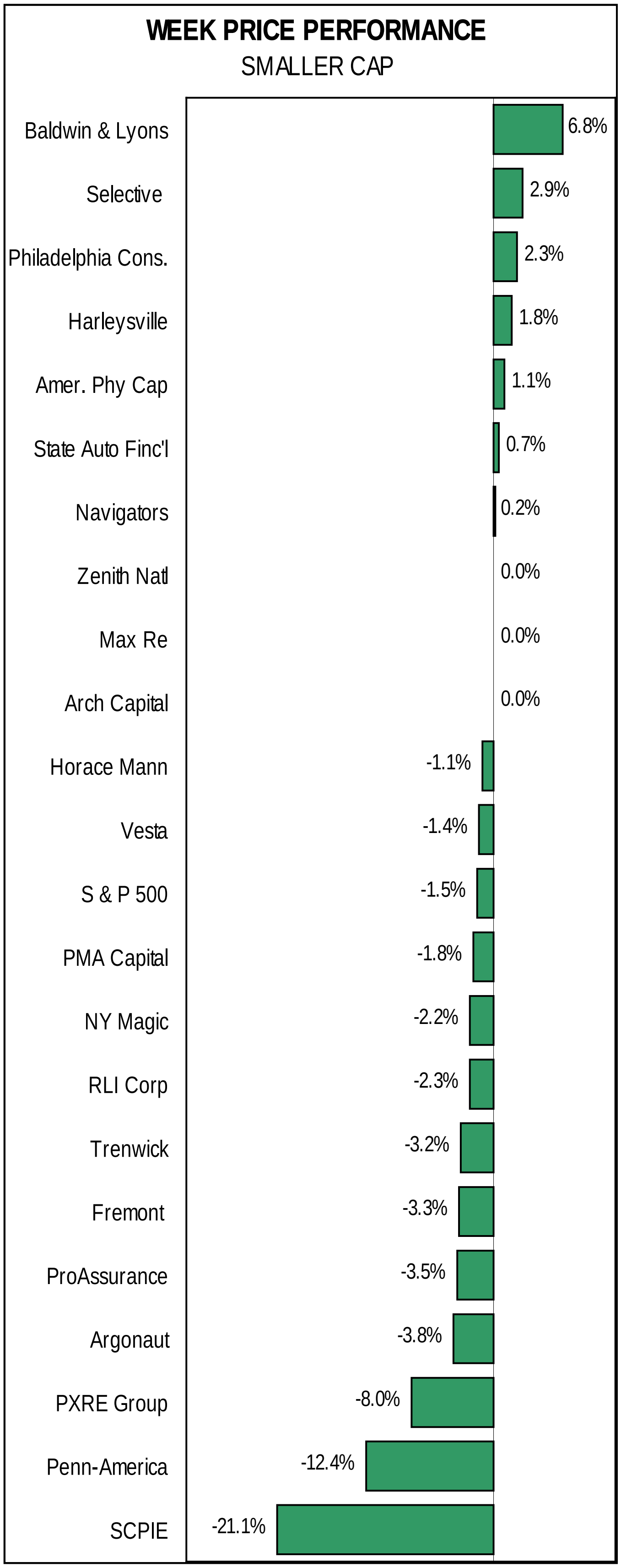
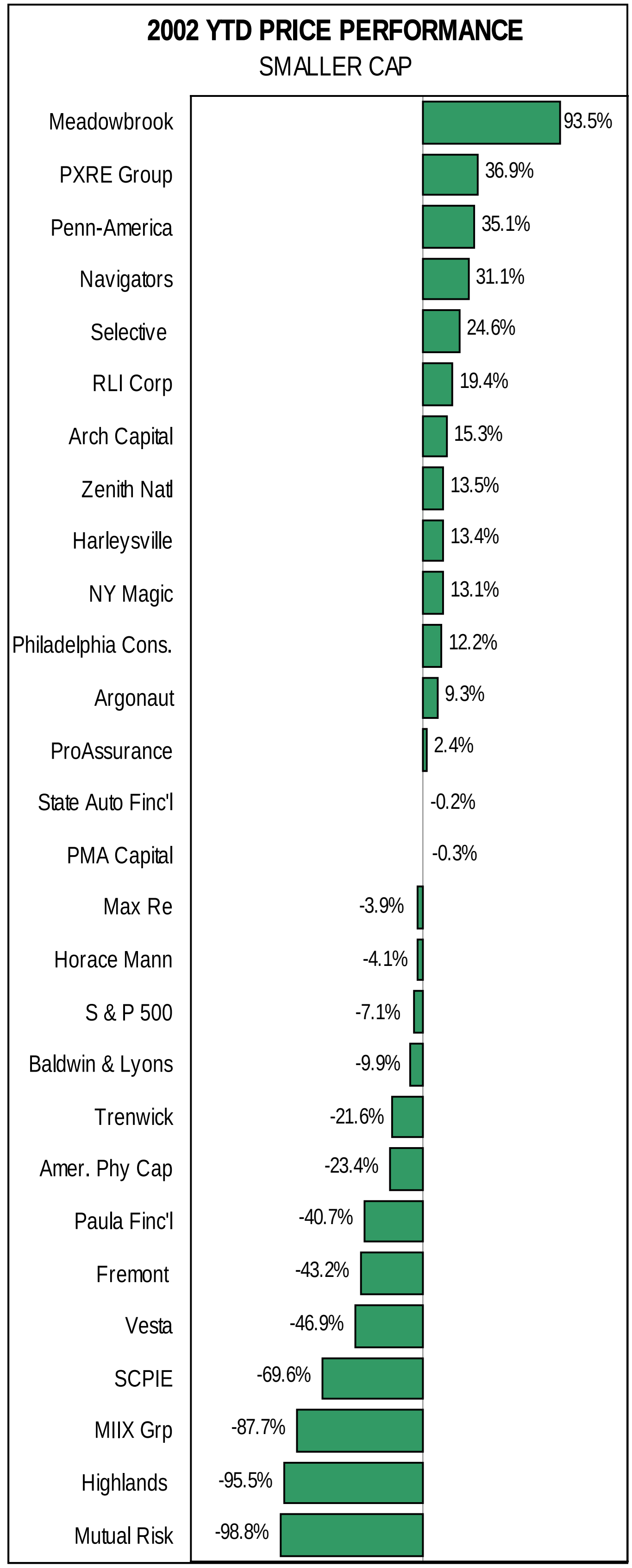
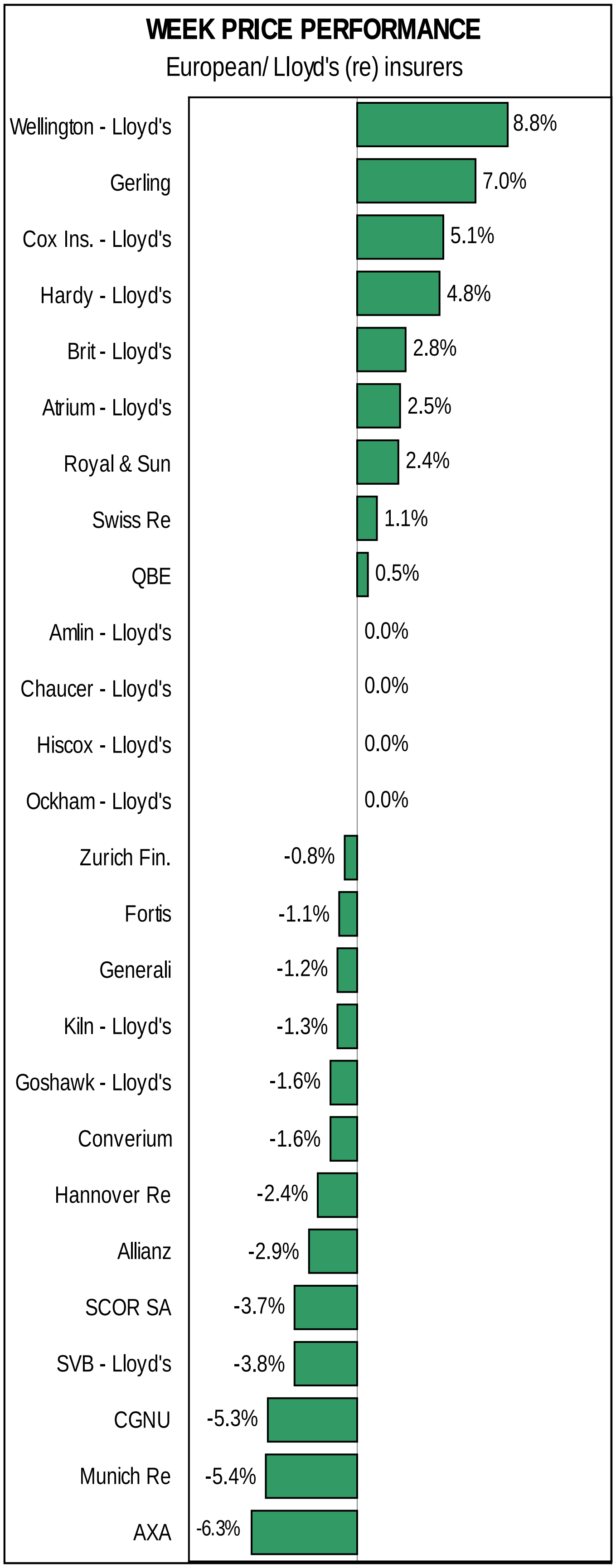
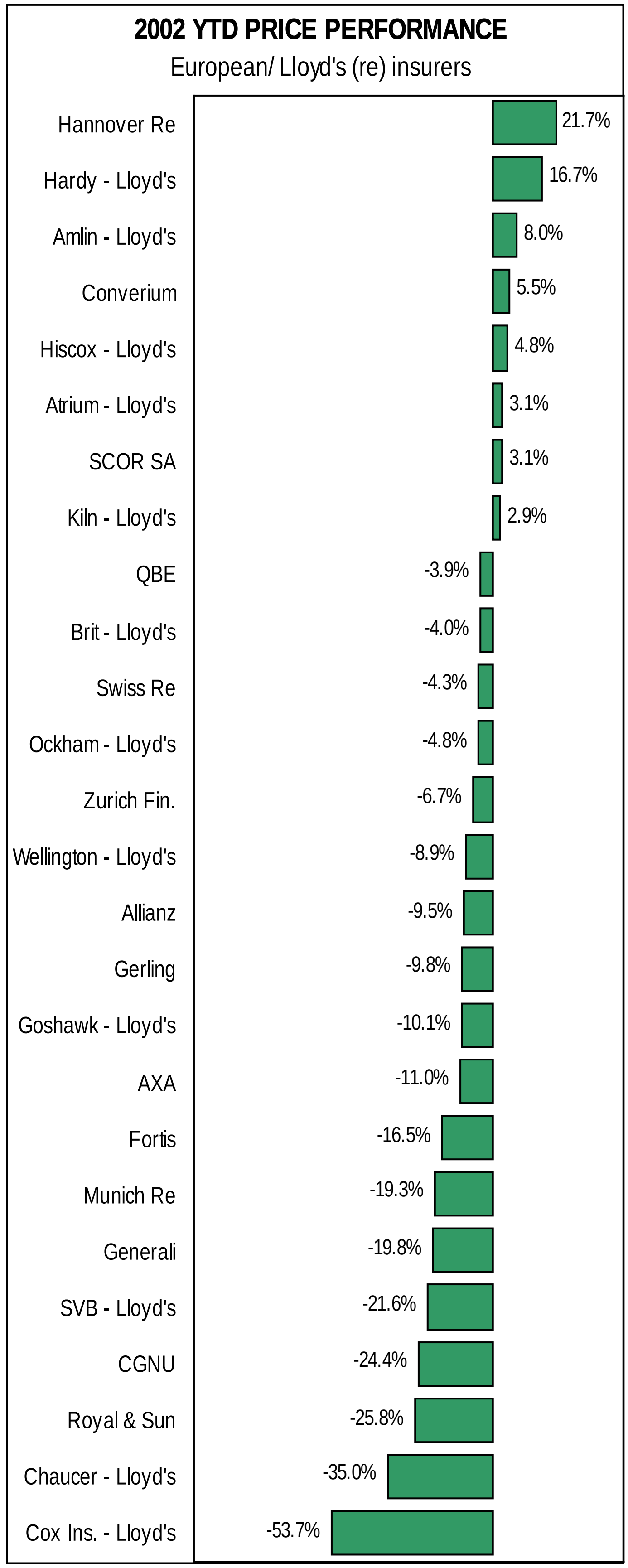
All pricing in this report is as of the market close on May 31, 2002, unless otherwise indicated.


WEEK PRICE PERFORMANCE
LARGER CAP
Willis Group 4.9%
HCC Ins 4.2%
Brown & Brown 2.8%
Progressive 2.1%
SAFECO 1.9%
IPC Re 1.6%
Markel Corp 1.5%
Odyssey Re 1.3%
Hartford Finc'l 1.0%
Cincinnati Fncl 0.9%
Leucadia 0.3%
A.J. Gallagher 0.3%
American Finc'l 0.2%
Old Republic 0.1%
Allstate 0.1%
Allmerica Finc'l 0.0%
Commerce Grp -0.2%
Transatlantic -0.5%
Chubb Corp -0.6%
Mercury Genrl -0.9%
Renaissance Re -1.0%
White Mountains -1.0%
21st Century -1.1%
W. R. Berkley -1.1%
Amer Int'l Grp -1.2%
S & P 500 -1.5%
XL Capital Ltd. -1.7%
ACE Ltd -1.8%
Everest Re -1.9%
Marsh Mac -2.1%
Aon Corp. -2.5%
PartnerRe -2.6%
Berkshire Hathaway -2.7%
Travelers -2.8%
St Paul -3.0%
CNA Ins -3.1%
Ohio Casualty -3.3%
2002 YTD PRICE PERFORMANCE
LARGER CAP
Willis Group 38.1%
Brown & Brown 30.6%
Ohio Casualty 30.3%
Progressive 19.0%
Cincinnati Fncl 19.0%
Leucadia 18.9%
Old Republic 18.5%
Markel Corp 16.4%
Renaissance Re 16.4%
Allstate 14.2%
Mercury Genrl 10.5%
W. R. Berkley 9.8%
Allmerica Finc'l 9.0%
Chubb Corp 8.9%
American Finc'l 8.9%
21st Century 7.5%
Odyssey Re 7.3%
IPC Re 5.1%
Hartford Finc'l 5.0%
Commerce Grp 4.4%
SAFECO 2.7%
A.J. Gallagher 2.2%
White Mountains 2.0%
HCC Ins -1.1%
Berkshire Hathaway -1.3%
St Paul -3.1%
XL Capital Ltd. -3.1%
Transatlantic -4.3%
Travelers -5.1%
Aon Corp. -5.9%
Marsh Mac -6.1%
PartnerRe -6.5%
S & P 500 -7.1%
CNA Ins -8.8%
Everest Re -11.4%
ACE Ltd -13.8%
Amer Int'l Grp -15.7%


WEEK PRICE PERFORMANCE
SMALLER CAP
Baldwin & Lyons 6.8%
Selective 2.9%
Philadelphia Cons. 2.3%
Harleysville 1.8%
Amer. Phy Cap 1.1%
State Auto Finc'l 0.7%
Navigators 0.2%
Zenith Natl 0.0%
Max Re 0.0%
Arch Capital 0.0%
Horace Mann -1.1%
Vesta -1.4%
S & P 500 -1.5%
PMA Capital -1.8%
NY Magic -2.2%
RLI Corp -2.3%
Trenwick -3.2%
Fremont -3.3%
ProAssurance -3.5%
Argonaut -3.8%
PXRE Group -8.0%
Penn-America -12.4%
SCPIE -21.1%


2002 YTD PRICE PERFORMANCE
SMALLER CAP
Meadowbrook 93.5%
PXRE Group 36.9%
Penn-America 35.1%
Navigators 31.1%
Selective 24.6%
RLI Corp 19.4%
Arch Capital 15.3%
Zenith Natl 13.5%
Harleysville 13.4%
NY Magic 13.1%
Philadelphia Cons. 12.2%
Argonaut 9.3%
ProAssurance 2.4%
State Auto Finc'l -0.2%
PMA Capital -0.3%
Max Re -3.9%
Horace Mann -4.1%
S & P 500 -7.1%
Baldwin & Lyons -9.9%
Trenwick -21.6%
Amer. Phy Cap -23.4%
Paula Finc'l -40.7%
Fremont -43.2%
Vesta -46.9%
SCPIE -69.6%
MIIX Grp -87.7%
Highlands -95.5%
Mutual Risk -98.8%


WEEK PRICE PERFORMANCE
European/ Lloyd's (re) insurers
Wellington - Lloyd's
8.8%
Gerling
7.0%
Cox Ins. - Lloyd's
5.1%
Hardy - Lloyd's
4.8%
Brit - Lloyd's
2.8%
Atrium - Lloyd's
2.5%
Royal & Sun
2.4%
Swiss Re
1.1%
QBE
0.5%
Amlin - Lloyd's
0.0%
Chaucer - Lloyd's
0.0%
Hiscox - Lloyd's
0.0%
Ockham - Lloyd's
0.0%
Zurich Fin.
-0.8%
Fortis
-1.1%
Generali
-1.2%
Kiln - Lloyd's
-1.3%
Goshawk - Lloyd's
-1.6%
Converium
-1.6%
Hannover Re
-2.4%
Allianz
-2.9%
SCOR SA
-3.7%
SVB - Lloyd's
-3.8%
CGNU
-5.3%
Munich Re
-5.4%
AXA
-6.3%

2002 YTD PRICE PERFORMANCE
European/ Lloyd's (re) insurers
Hannover Re
21.7%
Hardy - Lloyd's
16.7%
Amlin - Lloyd's
8.0%
Converium
5.5%
Hiscox - Lloyd's
4.8%
Atrium - Lloyd's
3.1%
SCOR SA
3.1%
Kiln - Lloyd's
2.9%
QBE
-3.9%
Brit - Lloyd's
-4.0%
Swiss Re
-4.3%
Ockham - Lloyd's
-4.8%
Zurich Fin.
-6.7%
Wellington - Lloyd's
-8.9%
Allianz
-9.5%
Gerling
-9.8%
Goshawk - Lloyd's
-10.1%
AXA
-11.0%
Fortis
-16.5%
Munich Re
-19.3%
Generali
-19.8%
SVB - Lloyd's
-21.6%
CGNU
-24.4%
Royal & Sun
-25.8%
Chaucer - Lloyd's
-35.0%
Cox Ins. - Lloyd's
-53.7%